

# **EDMONDS CITY COUNCIL APPROVED MINUTES**

## **May 17, 2011**

At 6:00 p.m., Mayor Cooper announced that the City Council would meet in executive session regarding labor negotiations. He stated that the executive session was scheduled to last approximately one hour and would be held in the Police Training Room located in the Public Safety Complex. No action was anticipated to occur as a result of meeting in executive session. Elected officials present at the executive session were: Mayor Cooper, and Councilmembers Plunkett, Fraley-Monillas, Buckshnis, Peterson, and Petso. Others present were Attorneys Sharon Cates and Rosa Fruehling-Watson, Human Services Director Debi Humann, Public Works Director Phil Williams, Police Chief Al Compaan, and City Clerk Sandy Chase. The executive session concluded at 6:58 p.m.

The regular City Council meeting was called to order at 7:03 p.m. by Mayor Cooper in the Council Chambers, 250 5<sup>th</sup> Avenue North, Edmonds. The meeting was opened with the flag salute.

### **ELECTED OFFICIALS PRESENT**

Mike Cooper, Mayor  
Strom Peterson, Council President  
D. J. Wilson, Councilmember  
Michael Plunkett, Councilmember  
Lora Petso, Councilmember  
Adrienne Fraley-Monillas, Councilmember  
Diane Buckshnis, Councilmember

### **ELECTED OFFICIALS ABSENT**

Steve Bernheim, Councilmember

### **STAFF PRESENT**

Al Compaan, Police Chief  
Gerry Gannon, Assistant Police Chief  
Jim Lawless, Assistant Police Chief  
Corporal Josh McClure  
Stephen Clifton, Community Services/Economic Development Director  
Phil Williams, Public Works Director  
Jim Tarte, Interim Finance Director  
Carl Nelson, CIO  
Debi Humann, Human Resources Director  
Frances Chapin, Cultural Services Manager  
Jeff Taraday, City Attorney  
Sandy Chase, City Clerk  
Jana Spellman, Senior Executive Council Asst.  
Jeannie Dines, Recorder

### **1. APPROVAL OF AGENDA**

**COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER BUCKSHNIS, TO APPROVE THE AGENDA IN CONTENT AND ORDER. MOTION CARRIED UNANIMOUSLY.**

### **2. CONSENT AGENDA ITEMS**

Councilmember Plunkett requested Items H, I and L be removed from the Consent Agenda.

**COUNCILMEMBER WILSON MOVED, SECONDED BY COUNCILMEMBER FRALEY-MONILLAS, TO APPROVE THE REMAINDER OF THE CONSENT AGENDA. MOTION CARRIED UNANIMOUSLY. The agenda items approved are as follows:**

#### **A. ROLL CALL**

- B. APPROVAL OF CITY COUNCIL MEETING MINUTES OF MAY 10, 2011.
- C. APPROVAL OF CLAIM CHECKS #125385 THROUGH #125526 DATED MAY 12, 2011 FOR \$1,189,729.10.
- D. PROCLAMATION DECLARING THE WEEK OF MAY 16-20, 2011 AS "PUBLIC WORKS WEEK" IN THE CITY OF EDMONDS.
- E. SNOHOMISH REGIONAL DRUG & GANG TASK FORCE, 2011-2012 INTERLOCAL AGREEMENT.
- F. AUTHORIZATION TO ADVERTISE FOR CONSTRUCTION BIDS FOR THE SEWER LIFT STATION REHABILITATION PROJECT.
- G. AUTHORIZATION TO ADVERTISE FOR CONSTRUCTION BIDS FOR THE 2011 WATERLINE REPLACEMENT PROJECT.
- J. REPORT ON FINAL CONSTRUCTION COSTS FOR THE ODOR CONTROL IMPROVEMENT PROJECT AND COUNCIL ACCEPTANCE OF PROJECT.
- K. REPORT ON FINAL CONSTRUCTION COSTS FOR THE 2009 ASPHALT OVERLAY PROJECT.
- M. ORDINANCE NO. 3841 – AMENDING THE EDMONDS CITY CODE (ECC) 8.64.060 PARKING PROVISIONS IN THE DOWNTOWN EDMONDS AREA.

**ITEM H: REPORT ON FINAL CONSTRUCTION COSTS FOR CASPERS STREET/NINTH AVENUE N/PUGET DRIVE (SR524) WALKWAY PROJECT AND COUNCIL ACCEPTANCE OF PROJECT.**

Councilmember Plunkett observed that the total construction cost was \$734,412 and asked whether the project was over or under budget. Public Works Director Phil Williams advised it was over the original budget for the project. The Council's recent acceptance of a settlement with the contractor added \$95,000 to the cost. The City received two grants for construction that covered all but \$92,000 of the total cost. The City's current contribution to the project is approximately \$93,000. Staff is in discussions with the Transportation Improvement Board regarding the grant and he anticipated an additional \$30,000 in grants funds would be available, making the City's total contribution to the project approximately \$60,000.

Councilmember Plunkett asked if this was the company that had been discussed in executive session. Mr. Williams answered yes, T.E. Briggs. The Council approved the settlement approximately one month ago.

**COUNCILMEMBER PLUNKETT MOVED, SECONDED BY COUNCIL PRESIDENT PETERSON, FOR APPROVAL OF ITEM H. MOTION CARRIED UNANIMOUSLY.**

**ITEM I: REPORT ON FINAL CONSTRUCTION COSTS FOR THE FIVE CORNERS BOOSTER PUMP STATION IMPROVEMENTS AND COUNCIL ACCEPTANCE OF PROJECT.**

Councilmember Plunkett observed that the total construction cost was \$1,168,903 and asked whether the project was over or under budget. Public Works Director Phil Williams answered the \$1.1 million construction cost was relatively close to the construction budget. There was little variance between the total construction cost and the engineer's estimate at the time the project went to bid. Councilmember Plunkett asked whether the final cost included a cost overrun. Mr. Williams offered to research the budget versus actual total construction cost. Councilmember Plunkett preferred to delay approval until Mr. Williams provided that information.

It was the consensus of the Council to schedule this item on a future agenda.

**ITEM L:        REPAIR TO THE TREATMENT PLANT'S OUTFALL PIPE AND THE PROCESS FOR OBTAINING BIDS AND AWARDED A CONTRACT.**

Councilmember Plunkett observed a contractor for this project was being selected from the Small Works Roster rather than going out to bid due to the cost of the project. He asked if in this construction climate it would be preferable to put the project out to bid. Public Works Director Phil Williams answered the Small Works Roster was not selected because of the expense; the expense allows the City to use that process and staff recommends using that process due to timing. Staff would like to replace the grouted connection with a bolted connection. In addition, Dayton Street from Railroad to Sunset will be paved this summer as part of a water line project. It is preferable to do this repair now and avoid cutting the newly paved street for this repair in the future. The construction schedule does not allow for a normal bid process and the Small Works Roster allows the project to be accelerated and avoid cutting the street in the future.

**COUNCILMEMBER PLUNKETT MOVED, SECONDED BY COUNCIL PRESIDENT PETERSON, FOR APPROVAL OF ITEM L. MOTION CARRIED UNANIMOUSLY.**

**3.        PROCLAMATION FOR NATIONAL LAW ENFORCEMENT MEMORIAL WEEK.**

Mayor Cooper recognized the men and women of the Edmonds Police Department for the work they do. He referred to the lockdown at Edmonds-Woodway High School last week, recent burglaries at Firdale Village and the capture of a burglar yesterday with the assistance of the K-9 unit and neighboring Police Departments.

Mayor Cooper read a proclamation declaring May 15-21, 2011 as National Police Week in Edmonds. The City's flags are flying at half-staff in honor of National Police Week.

Police Chief Compaan announced the Edmonds Police Department's Annual Awards Night in Council Chambers on Thursday, May 19 at 6:30 p.m. The event recognizes members of the Edmonds Police Department as well as members of the general public who have assisted the Department.

**4.        SWEARING IN CEREMONY FOR CORPORAL JOSHUA D. MCCLURE.**

Police Chief Al Compaan commented one of the highest honors he has as Chief of Police is celebrating achievement by department members. An oath is an important public recognition of personal achievement and a personal pledge to the highest legal, ethical and professional standards critical to the law enforcement mission.

Chief Compaan explained yesterday morning Corporal McClure and his partner K-9 Dash received a call to assist the patrol units in North Edmonds searching for a residential burglar. Two hours and 40 minutes later, Officer McClure and his partner Dash corralled the suspect and an arrest was made. Chief Compaan described Corporal McClure's background: he started with the Edmonds Police Department as a Police Explorer at the age of 17 in 1993. He graduated from the Criminal Justice Program at Shoreline Community College and was hired as a Reserve Officer in Edmonds June 1997. After 14 months, he left to take a position with the Tukwila Police Department as an entry level officer. He returned to Edmonds in August 1999, serving three years as a Narcotics Detective assigned to the South Snohomish County Narcotics Task Force. He has also worked as a Field Training Officer in Edmonds. Since October 2006 Corporal McClure has been one of Edmonds' two K-9 officers, working nights with his partner Dash. Corporal McClure and Dash also participate in a significant number of public relations functions for the Police Department, providing K-9 ride-alongs to community members and K-9 demonstrations at community events.

Following his promotion, Corporal McClure will continue to work with Dash for the remainder of the dog's working life. Corporal McClure received letters of commendation in 2004, 2007 and 2008 awarded to Department employees who perform particularly noteworthy acts or service based on their determined and intelligent performance. He was the Edmonds Police Department Officer of the Year in 2007 and received the City of Edmonds Distinguished Service Award and a Police Medal of Valor in 2008. Attending tonight's ceremony are Corporal McClure's wife Kelly, a SNOCOM Dispatcher, and their daughters Kiley and Ashley.

Chief Compaan administered the oath of office to Corporal Josh McClure. Corporal McClure's daughter Kiley pinned his badge. Chief Compaan presented Corporal McClure with a framed Certificate of Promotion.

Corporal McClure commented three years ago he learned his wife was fighting a battle and they were unsure what the outcome would be. Three years later they have two daughters. He assured his wife his promotion was for her.

**5. COMMUNITY SERVICE ANNOUNCEMENT: MEMORIAL DAY CEREMONY AT EDMONDS CEMETERY.**

**Dale Hoggins, Edmonds Cemetery Board**, invited the Council and the public to the 29<sup>th</sup> annual Memorial Day Ceremony held on Monday, May 30, 2011 at 11:00 a.m. at the Edmonds Memorial Cemetery, 820 15<sup>th</sup> Street SW. The program remembers and honors the memory of those who died while serving our country especially during times of war and says thank you from a grateful community to all veterans and current military personnel. He recognized Michael Reagan, local portrait artist and U.S. Marine veteran, for his Fallen Heroes Project, drawing portraits for the families of those who have fallen since 9/11. The program will include the introduction of Betty Lou Gaeng, Author, Researcher, Compiler, Sno-Isle Genealogical Society, who has compiled biographical sketches of the men whose names are on the monument in front of the Edmonds Museum.

The ceremony's emphasis is on remembering and features youth who lead the pledge, participate in the presentation of colors, offer prayers, provide instrumental and vocal music, distribute programs, read their winning essays and recite poetry. He reminded this is an outdoor event, rain or shine. He encouraged attendees to bring their own chairs and allow time to walk from parking outside the cemetery. He provided his phone number for questions or additional information: 425-776-1543.

**6. AUDIENCE COMMENTS**

**Gerry Tays, Edmonds**, explained his wife and he moved to Edmonds in July 2010 after spending 30 years with the National Park Service and 12 years with Washington State Parks as its Historic Preservation Program Manager. He commented on the wonderful resource, the Edmonds Center for the Arts. He noted it is housed in a former high school and he commended the City for preserving, rehabilitating and putting the building to a wonderful new use. He and his wife, along with hundreds of others, volunteer at the ECA. He urged the Council to continue their support of the ECA.

**Mary Sweeney, Edmonds**, explained her husband and she have volunteered at the ECA since it opened four years ago. The ECA is a wonderful asset for Edmonds as well as Snohomish and north King County, a venue with world class entertainment and free parking without driving into Seattle. As a volunteer she often talks with patrons and has found ECA and its programming draws patrons young and old from a wide geographic area. Rick Steves' travel events draw people from the entire West Coast. Mr. Steves provides a flyer with maps promoting local restaurants. During a recent ECA event showcasing Great Big Sea, she learned many of the patrons came from Alaska to attend the show. The Frank DeMiero Jazz Festival draws students and adults from across the State including a number of school bands from eastern

Washington who patronize hotels and restaurants in the Edmonds area. She expressed her gratitude for a venue such as the ECA and her appreciation for the City's continued support of the ECA.

**Bill Kolden, Brier**, described his background, 30 years working in local government and now 80-90% retired. He volunteers at the ECA on a regular basis; while volunteering as a bartender, he has heard an overwhelming response from patrons regarding the venue, quality of performances and overall perception of the ECA experience. In talking with patrons, other volunteers and ECA management staff, it is clear the City has a jewel in the ECA as a point of destination for people throughout the region. The feedback he receives and his own observations is that the ECA is a well-managed, well run operation that provides a very positive and enjoyable experience for attendees. Those who have been involved with the ECA from its beginnings, have seen it move in a positive direction, bringing more events to the community, drawing bigger audiences and drawing more rental activity as people learn of the great venue. This results in more people attending events at the ECA as well as visiting local businesses which boosts tourism. He commented on the dedication of the ECA staff members and volunteers; their talent and dedication are evident to customers and a significant part of the overall experience of attending events at the ECA. He commended the City and the City Council for the support provided the ECA over the past several years and encouraged a continued commitment and support for what the ECA provides the community.

**Ron Clyborne, Edmonds**, commented Edmonds is blessed to have a facility like the ECA. He was involved with the ECA prior to its completion and was responsible for bringing a substantial grant to the community for ECA. Speaking on behalf of the Edmonds Chamber of Commerce as its President, the Chamber Advocacy Committee, the newly formed Arts Committee, the Chamber's 350 members, and as a charter ECA Board of Directors Member, he explained the facility has grown in the past five years from being consistently challenged by time, energy and money and operating in the red to a facility that is now operating in the black. There is a dedicated Board of Directors and there are numerous sell outs. He relayed comments from a couple attending a performance at the ECA for the first time last Friday who were amazed by the art deco style. During the last 40 minutes of that sellout show, all the 700 people were dancing. He pointed out the ECA provides \$3 million in economic development and he encouraged the Council to continue its support of the ECA.

**Kate Labiak, Sno-King Music Educators Association**, Band Manager College Place Middle School and Conductor for the Seattle Youth Symphony Orchestras, explained the Music Educators Association is a subset of the Washington Interscholastic Activities Association, the governing body of all local and state sports and music events. Sno-King represents 9 high schools, 14 middle schools and 50 elementary schools in the Edmonds, Shoreline, Mukilteo and South Whidbey School Districts. For the first time this year, over 4,000 students from the 25 middle schools and high schools had the privilege of performing on the ECA stage for all 7 of their large group festivals, the equivalent of the statewide assessment for the secondary students. Festivals are adjudicated by university level adjudicators and serve as the primary assessment tools. This year the festivals were an overwhelming success; student, parent and educator feedback was resoundingly positive, especially with regard to the ECA staff and facility. The recent upgrades to the facility's second floor have been particularly beneficial to hosting festivals at the ECA. The ECA provides a professional setting for students' academic assessment, accurate recordings, fantastic acoustics and a helpful and competent staff. After conducting a concert at Benaroya Hall last weekend with the Seattle Youth Symphony Orchestras, she felt the ECA staff was more competent than the Benaroya staff. On behalf of the thousands of students, parents and teachers she thanked the City Council for their ongoing support of the ECA.

**Alvin Rutledge, Edmonds**, commented on improvements that were spearheaded by former Mayors Fahey and Haakenson. He referred to the citizens' approval of annexation into the Sno-Isle Library District which saved the City a substantial amount of money. He referred to budget cuts made in 1990 that included \$28,000 for Lake Ballinger maintenance.

**Roger Hertrich, Edmonds**, recalled pleas for funds to start the ECA, recalling the project competed for funds with the Future of Flight Museum. He agreed the ECA was a major contributor to economic development in the City and needs the City's continued support. It was unfortunate the cost to the City had increased by three times and he suggested the \$18,000 spent on the survey could have been spent on the ECA debt instead. To increase attendance, he suggested the ECA install a sign that was large enough to be visible from 3<sup>rd</sup> Avenue that listed events. With regard to the items Councilmember Plunkett removed from the Consent Agenda, he suggested in the future the Council request the agenda memo contain comparative data regarding budget, estimate and final construction cost.

**Nikki Parish, Managing Director, Studio East, Kirkland**, explained she has attended performances at the ECA as an individual and also rents the facility on behalf of Studio East for Storybook Theater, a program that introduces young children to live theater. They tour throughout the Puget Sound area from Everett to Olympia and perform in many different theaters and the ECA is their favorite facility. The facility is beautiful, has wonderful acoustics, and most importantly, the staff is excellent and very professional. She remarked on how extraordinary it was to have a facility like the ECA in a town the size of Edmonds. In the last four years, they have performed several times a year at the ECA, attracting over 8,000 children. They look forward to many more years at the facility and she encouraged the City to continue its support of the ECA.

**Peggy Estella, Edmonds**, explained her husband and she chose to live in Edmonds after 25 years in the Air Force due to the active arts scene. The ECA is gorgeous and they appreciate the quality and caliber of performances. She summarized the ECA was key to their decision to purchase a home in the Edmonds bowl and she urged the Council to continue their support of the ECA.

Council President Peterson explained the items Councilmember Plunkett removed from the Consent Agenda were reviewed with staff at the May 10 Community Services/Development Services Committee. He chaired the Committee meeting in Councilmembers Plunkett and Fraley-Monillas' absence.

**7. PRESENTATION BY EDMONDS PUBLIC FACILITIES DISTRICT REGARDING CAPITAL BOND PAYMENT.**

**Bob Rinehart, Vice President, Edmonds Public Facilities District (EPFD)**, on behalf of the EPFD Board, the non-profit ECA Board, the ECA staff and many volunteers, thanked the Council for their ongoing support of the ECA. He explained the goal of their presentation is to bring clarity to the capital debt challenge facing the ECA.

The ECA was created as a Public Facilities District, a municipal entity. At the end of the life of the PFD charter, the ECA facility and operations will be turned over to the City, therefore, it is worth the time and attention to work with the ECA to develop the right course of action to assist with covering the capital debt. He expressed appreciation for the time and attention provided by former Council liaison Council President Peterson, Councilmember Buckshnis' efforts to understand the PFD's financials and the work being done by the current Council liaison Councilmember Petso who along with Councilmember Wilson are part of a recently formed task force to ensure the City Council, City staff, and PFD and ECA Boards are working together to strengthen their relationship and collaboration.

ECA has engaged in serious cost cutting over the past several years. Beginning in 2008 when the economic downturn began, operating expenses were cut by \$40,000 in the 2008-2009 season and \$100,000 in the 2009-2010 season; FTE was reduced from 7 to 5 employees, the remaining 5 took 30 day furloughs, and presentations in the 2009-2010 season were reduced from 34 to 22. The 2011 facilities maintenance budget for the 72 year old, 52,000 square foot building is \$34,000; there are zero funds in a capital improvement line item and the ECA is facing challenges with the roof and heating plant.

Mr. Rinehart highlighted recent successes:

- 10 of the 22 presentations this season sold 90% or better.
- Jesse Cook, added to the season 5 weeks ago, sold out in 3 weeks.
- The 5<sup>th</sup> annual Center Stage event on April 20 secured \$99,000 in sponsorship support and \$25,000 season sponsorship from Carter Subaru, total sponsorship revenue is up \$37,500 over last year and several contacts are still interested in becoming sponsors.
- The 2<sup>nd</sup> annual fundraising tour of Edmonds/Woodway kitchens this weekend was a tremendous success, raising more than \$10,000 for the ECA.

Mr. Rinehart relayed several key facts: over 50,000 people attend events annually at the ECA. Of those, over 11,000 of those attend ECA-presented events; 75% of the people using the facility attend other performances/events/classes by groups such as Olympic Ballet. It is a community center that serves a broad spectrum of people and needs. He commented on recent events at the ECA including Cascade Symphony's completion of their 49<sup>th</sup> season, two sold out performances by the Chinese Acrobats that served 1300 students, the State Attorney General Rob McKenna hosted by the Chamber of Commerce and a company meeting held by Premera Blue Cross. A new rental client will begin using the ECA gymnasium for up to 78 hours/week during the summer months, a time previously unused. He summarized the ECA was proud of its numerous successes.

**Joe McIalwain, Executive Director ECA**, provided 2010-2011 season attendance statistics:

- 31% of audience are Edmonds residents
- 18.3% of audience are from Seattle
- Remaining percentage come from the surrounding area to spend time and money in the Edmonds area.

He highlighted upcoming events including the Sno-King Community Chorale finishing its season on June 11<sup>th</sup> with two "Ticket to Broadway" performances of "A Radio Broadcast" as well as dance recitals by four dance schools in June.

Mr. McIalwain provided a comparison of the ECA's operating performance 2010 April YTD, 2011 YTD April and 2011 budget:

<b>Revenue</b>	<b>2010 YTD (April)</b>	<b>2011 YTD (April)</b>	<b>2011 Budget</b>
Ticket Sales	\$159,164	\$256,056	\$430,000
Rental Revenue	\$107,853	\$157,564	\$328,820
Other Earned Revenue	\$17,852	\$30,163	\$87,000
Fundraising for Operations	\$91,361	\$195,595	\$402,000
<b>Total</b>	<b>\$376,230</b>	<b>\$639,378</b>	<b>\$1,247,820</b>
<b>Expense</b>			
Labor	\$150,253	\$183,185	\$521,800
Facilities/Operations	\$79,855	\$90,058	\$232,400
Programming	\$106,404	\$161,818	\$253,000
Other Expenses	\$34,913	\$52,520	\$238,300
<b>Total</b>	<b>\$371,425</b>	<b>\$487,581</b>	<b>\$1,245,500</b>
<b>Net Revenue</b>	<b>\$4,805</b>	<b>\$151,797</b>	<b>\$2,320</b>

He summarized the above illustrates that their efforts for the past five years are coming to fruition. He emphasized there is a big difference between operating and the issue the ECA faces with regard to capital. Operating, all the programs and services the ECA provides and related expenses, is going very well. The

challenge is with regard to capital because the sales tax revenue the PFD receives and the debt to which those revenues are dedicated are out of balance.

He reviewed the sales tax revenue streams:

- Direct local-level sales tax rebate
  - Intended to cover a portion of the 2002 bond
  - Economic crisis has resulted in a significant reduction in revenues from this source
- “Tier 1” county-level sales tax rebate
  - Intended to cover the remainder of the 2002 bond issue
- “Tier 2” county-level sales tax rebate
  - Intended to cover 2008 bond issue
  - Revenues were projected to exceed \$200,000 annually
  - Economic crisis has resulted in a 90% reduction in revenues from the “Tier 2” stream
  - Unrealized funding source – primary cause of capital revenue shortfall

Mr. McIalwain advised a task force comprised of Councilmembers Petso and Wilson, City staff Carrie Hite and Frances Chapin, EPFD Board Members John McGibbon and Bob Rinehart, ECA Board Members Jack Loos and Steve Shelton, and himself, has met twice. At the most recent meeting, Councilmember Petso highlighted the ECA’s approximately \$300,000/year capital need. To explain that number, he provided a spreadsheet with the projected versus actual annual capital revenues from the above revenue sources, debt service on the 2008 and 2002 bonds and the net revenue/shortfall for 2008-2015. The approximately \$300,000 is the projected difference between annual sales tax revenue collected and bond payments owed. He emphasized there are many possibilities to mitigate the shortfall: the task force is discussing ways to minimize/mitigate the amount, sales tax revenue may increase, and additional income from operating will be invested in bond debt. It has been suggested the City plan for a \$300,000 difference and should efforts to mitigate that be successful, funds would be freed up for other purposes.

Per the agreement between the ECA and the City, the bonds are guaranteed by the City. When the ECA cannot meet its bond obligation due to decreases in sales tax and are unable to mitigate the problem in any other way, unfortunately, the City is responsible for assisting with that obligation. He reiterated the difference between the success of operations and the capital debt challenge.

He provided a summary of the EPFD Debt Service:

<b>Revenues</b>	<b>2011</b>	<b>2012</b>
EPFD Local Sales Tax (Est)	\$179,478	\$185,222
SCPFD Allocation (Tier 1)	\$215,575	\$226,320
SCPFD Allocation (Tier 2)	\$12,625	\$12,830
<b>Total Revenues</b>	<b>\$407,678</b>	<b>\$424,372</b>
<b>Bond Payment Due</b>	<b>\$682,863</b>	<b>\$706,763</b>
Net Balance	(\$275,185)	(\$282,391)
Remaining Principle, 2002 Bond Issue		\$5,820,000
Remaining Principle, 2008 Bond Issue		\$3,735,000
Combined Total		\$9,555,000

Mr. McIalwain reviewed the current need:

- Because county revenue projections have not been realized, additional funds are required in 2011 to help cover a portion of EPFD’s bond debt
- June 2011 Requirement: \$83,185 (the difference between sales tax revenue and amount owed on mid-year bond payment)

- Contingent Loan Agreement between EPFD and the City provides a mechanism for the City to help the EPFD meet debt payments via loan support
- City's 2011 budget includes \$100,000 for this purpose. No City Council action required at this time.

Possible long term solutions include extension of the PFD legislation (possible refinance), naming rights, economic recovery and improved operating performance. Another potential funding source is Snohomish County Lodging Tax. The EPFD has been told there may not be an opportunity to secure those funds at this time but they have not yet been allocated. Staff will continue to work with Snohomish County to access those funds.

Mr. McIalwain thanked the members of the community who spoke on the ECA's behalf during Audience Comments. Their comments illustrate how important the ECA has become to the community in a short period of time.

Mayor Cooper suggested the citizens speak to the Snohomish County Council, commenting it was important for the County Council to hear the message from the people who use the ECA. The Snohomish County Council will ultimately make the decision regarding the allocation of Lodging Taxes based on the recommendation of the Lodging Tax Advisory Committee.

Councilmember Buckshnis thanked Mr. McIalwain for meeting with her today. She pointed out the ECA's total income is up 41% this year and net income is up 25%. She was hopeful the \$300,000 would not be the end result. She requested City Attorney Jeff Taraday comment on the use of Real Estate Excise Tax (REET) funds for ECA debt. Mr. Taraday explained he was asked to research whether the City could use REET, specifically REET 1 revenue, to help pay the debt service. There are certain conditions under which the City could do so. The facility does not necessarily need to be owned by the City. If the facility is in the City's Capital Facilities Plan (CFP) and characterized as a recreational facility in the Plan, the City should be able to use REET revenue to pay ECA debt service. Councilmember Buckshnis observed the CFP would need to be revised to facilitate that. Mr. Taraday agreed amendments would be in order.

Councilmember Fraley-Monillas referred to the comparison of revenues and expenses and Mr. McIalwain clarified the comparison was four months of 2010 compared to four months of 2011 and the 2011 budget. She asked the total labor cost in 2010, noting the 2011 is \$521,800. Mr. McIalwain responded it was approximately \$500,000 in 2010. That includes 5 FTEs and 10 part-time personnel, sometimes more depending on needs in the theater. The ECA has 80-90 volunteers who support the front of house operations, special events, and administration.

Councilmember Wilson expressed his appreciation to Mr. McIalwain and Mr. Rinehart and the entire EPFD and ECA Boards for their efforts particularly in the last couple months. In his opinion the ECA/EPFD was doing a great job operationally as well as stewarding the facility through a very challenging time.

## **8. DISCUSSION REGARDING SELF-FUNDED MEDICAL INSURANCE.**

Councilmember Wilson explained this is a report from the Public Safety & Human Resources Committee. The purpose is to update the Council and determine the Council's interest in the Committee continuing to research self-funded medical insurance.

Councilmember Wilson provided the history:

- Tried self-insurance in the late 1990's
- Failed, primarily because was not established appropriately:

- No reserves in place
- Unsure about level of stop-loss coverage (which protects the City's downside)
- New benefits were added without any analysis on impacts to cost
- Left a sour taste in the mouth of many employees

He reviewed recent research:

- Administration set up a committee to review options for employee benefits:
  - Genesis of idea to move to HealthFirst
  - Saves the City about \$300,000 annually
- Tasked with finding a new benefit option with no additional cost:
  - This immediately made self-funding very difficult
  - Not because of increased costs, but cash flow challenges
- A broker was retained to "Go To Market"
  - AWC with whom the City partners for medical benefit coverage would not provide claim data
- Two kinds of vendors
  - Big insurance companies that also do self-insurance administration
  - Small firms that only do self-insurance administration

He reviewed components of different concepts:

- Medical Loss Ratio (MLR)
  - Amount of premium dollar spent, or "lost," to paying for health care
  - Nationwide, that number 65-70%
    - About 30 cents on every \$1 of insurance premium goes somewhere other than patient care
    - 30% goes to profit, reserves, admin, taxes
    - If the City can figure out a self-funding model that works, funds will not go toward profit, reserves to the same degree, or taxes
    - Admin: financial management (primary driver for premiums), marketing, reporting, claims processing, and in some cases utilization management
    - Can the City do administration and claims processing better?
- Risk Pool
  - The more distributed the risk, the less likely spikes in cost will occur
  - Our pool is municipal employees who are typically a little older
  - Our risks likely look about the same as other cities:
    - If our employees are sicker than others, then it is less likely we will be able to save money
    - If our employees are of average health, or healthier, (compared to the risk pool, not society), then we are more likely to save money

Councilmember Wilson commented on the issue of claims history:

- How much will we need to cover our employee costs?
  - Set based upon the previous 3 years of medical claims history
  - If you don't have that number, you're taking a guess – and it's a big one
  - AWC has previously not been willing to release this information
    - May take some legal effort
    - Also may take legislative work

Councilmember Wilson commented on the role of reserves in the transition:

- Currently, we pay reserves every year, but they accrue to AWC/Regence
- Moving forward, we can:
  - Pay a little more each month
    - This recreates the problem of the late '90s
    - Don't confuse monthly allocation of premiums with reserves
  - Pay a lot up front: \$1.3million (revenue from sale of assets to Fire District 1) or some other number

Councilmember Wilson reviewed the current cost structure for the City's current health plans:

Total employees	207
Total lives	499
Total monthly cost	\$226,485.87
Total annual cost	\$2,717,830.44
Cost per employee	\$13,129.62
Cost per covered life	\$5,446.55

He noted the cost per covered life was not excessive; it is possible this process will reveal the plans provided through AWC are preferable. He noted the \$2.7 million annual cost includes profit, reserves, taxes and administration, things the City may not have to pay or could do cheaper.

Councilmember Wilson provided a chart illustrating medical care inflation versus total inflation 1970-2007. He pointed out the slight slowing of medical inflation in the mid-late '90s is related to very strong returns in the stock market.

Applying the MLR to the City's current situation:

- Remember that 30-35% extra that goes to overhead?
- Let's assume that AWC/Regence only takes 25%
  - Our current premium for 2011 is \$2,717,830
  - That makes our cost for care \$2,038,372
- Overhead: Processing Claims
  - The job of insurance companies: paying 'claims' from doctors and hospitals
    - At heart, they are paper pushers
    - Two types in self-funding world
      - ASOs: manage the big guys, like Boeing or MSFT
      - TPAs: Work with small to medium sized firms typically
  - Costs range from \$35-\$50 per employee
    - Does all of the admin work we ask of it
    - For 207 employees, \$87,000 to \$124,000
- Overhead: Stop Loss Coverage
  - Limits our downside
    - Protects our aggregate expenditures
    - Protects us against any one event
  - Comparable company in size, benefit structure
    - Quote at \$280,000 per year
    - \$40,000 limit
    - This number is very subjective
    - Really need to see what the market would tell us

Councilmember Wilson reviewed a one year pro forma:

	<b>Option 1 – Do Nothing</b>	<b>Option 2 – Self Insure</b>
Total Annual Cost for Edmonds Medical Benefits	\$2,717,830.44	
MLR at 75%		\$2,038,372.83
Cost of TPA at \$50 per member		\$124,200.00
Subtotal		\$2,162,572.83
Cost of Stop-Loss (\$40k stop loss from comparable Client data)		\$280,000.00
Total	\$2,717,830.44	\$2,442,572.83
Annual Savings		\$275,257.61

Councilmember Wilson explained the City needed to go to market again to get better and more complete data and address the issue of AWC's unwillingness to provide claims data which may require a letter from the City Attorney or the Legislative to force it.

Councilmember Wilson reviewed a six year pro forma, acknowledging it includes several assumptions and the numbers are subject to change:

<b>Plan</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
#1 AWC Assumes 13% growth	\$2,717,830	\$3,071,148	\$3,470,397	\$3,921,549	\$4,431,350	5,007,426	\$5,658,391
#2 Premium (minus carryover from year prior)		\$4,606,722	\$4,376,386	\$4,157,567	\$3,958,387	\$4,442,978	\$5,054,465
#2 Offset from Year Prior			(\$1,863,361)	(\$1,276,388)	(\$654,569)		
#2 City Annual Contribution		\$4,606,722	\$2,513,025	\$2,881,178	\$3,303,818	\$4,472,978	\$5,054,465
#2 Actual		\$2,743,361	\$3,099,998	\$3,502,998	\$3,958,387	\$4,472,978	\$5,054,465
#2 Carry over		\$1,863,361	\$1,276,388	\$654,569			
Annual Savings		\$(1,535,574)	\$957,372	\$1,040,370	\$1,127,532	\$534,448	\$603,926
Cumulative Savings		\$(1,535,574)	(\$578,201)	\$462,168	\$1,589,700	\$2,124,149	\$2,728,075

Practical questions include:

- What is the claims experience of our employees?
  - How can we find that out?
    - Legal
    - Legislative
- Is there any interest on the part of Council for us to continue exploring this?

Policy questions include:

- Are we willing to set aside sufficient reserves to not repeat our past failure?
  - Building up reserves over time is risky
  - Tendency to confuse base premium with reserve
- Are we going to become financially stable enough to pursue this?
  - Erosion of employees undermines this model
  - If we want to implement this in July 2012, we need to get a levy passed before then

He summarized this research was the result of Council direction to the Public Safety & Human Resources Committee at the retreat.

For Councilmember Buckshnis, Councilmember Wilson explained the \$4.6 million #2 Premium in 2012 has two components, 1) all the money that would have been paid to AWC to cover City employees, approximately \$3 million, and 2) 1.5 times that amount, or approximately \$1.5 million, as a reserve. That amount is not a cost; if it is not spent in year one, it accrues to next year. The cost would be the employees' medical expenses plus \$35-\$50 per employee for claims processing plus stop loss insurance. The amount in #2 Premium goes down as the required reserve amount is reduced based on experience.

Councilmember Buckshnis advised Puyallup is going to self-funded medical, and Kirkland, Redmond and Renton have self-funded medical insurance.

Councilmember Fraley-Monillas expressed interest in firmer numbers regarding the cost. She asked whether the cost of stop loss insurance was \$280,000/year. Councilmember Wilson answered that is the best guess; the actual amount is unknown until the City goes to market. Councilmember Fraley-Monillas observed the claims history from AWC was needed to go to market. Councilmember Wilson agreed that would make it much easier.

Councilmember Fraley-Monillas commented an older population of employees is ill more frequently. A \$40,000 limit would have covered about 1/3 – 1/2 of her hospital stay, requiring the stop loss carrier to pay the remainder. She estimated Mayor Cooper and her illnesses would have easily exceeded the \$280,000 in one year. She was interested in the concept but was concerned the numbers may be too low considering the age of the City's employees and the number of employees. She asked whether 200 employees was the minimum for self-insurance. Councilmember Wilson answered it was more complicated than that. He acknowledged the City may reach the end of this process and determine self-funded medical insurance does not make sense but he did not have enough data yet to make that decision.

Councilmember Wilson explained Regence prices the City's insurance based on the older staff population. The City and everyone else in the risk pool is already paying for its older staff population. Because the City has rich benefits compared to the rest of society, the City pays for all those benefits regardless of whether an employee uses them. If the City self-insures, the City only pays for benefits used and the savings accrue with the City. The City can continue to have very rich benefits because most employees go to the hospital only four times, when they are born, when they die, when their kids are born and once for an emergency.

Councilmember Wilson referred to a *New York Times* article on Saturday that reported this is the third year of record profits in health insurance companies. One of the reasons they have been doing so well in the last few years is because people are not going to the doctor because of their own price sensitivity. Yet the City and others continue to pay for benefits their employees do not receive even though their employees are not going to the doctor. He preferred the City accrue those savings rather than a health insurance company.

Councilmember Buckshnis pointed out the Committee's research is free and she sees no downside to continuing to research self-funded medical insurance. The intent is to optimize the use of revenue and this would be one way to do that. She asked whether there was a cost of going to market. Councilmember Wilson answered would depend on how it was structured.

Council President Peterson supported continued research but had concerns with the cost of staff time. He asked whether the research would interfere with other priorities/needs in the Human Resources Department or whether Councilmembers Buckshnis and Wilson could handle the additional research.

Councilmember Wilson recognized it was a challenge for the two employees in the Human Resources department to assist. Human Resources Director Debi Humann has been invaluable to the Committee and he wanted to continue to rely on her assistance. It was their intent to be as respectful of the Human Resources Department's time as possible. Council President Peterson suggested contacting Kirkland who recently changed to self-insurance.

Mayor Cooper advised that Parks & Recreation Director Carrie Hite was on the committee in Kirkland before she came to Edmonds. There was a four year collaborative effort in Kirkland between City employees and City Council before a decision was made to change to self-funded medical insurance.

Councilmember Fraley-Monillas suggested one of the most importance components was getting claims information from AWC. The claims information will be a large part of a decision whether the City can afford self-funded medical insurance. She supported the City Attorney sending a letter to AWC requesting that information.

Councilmember Petso inquired about the cost of approaching a TPA. Councilmember Wilson answered a lot of data is available for free but there may be costs associated with obtaining the claims data from the insurance carrier, which is 3 years of the aggregated anonymous employee data that shows how often medical care was utilized. He anticipated they would seek approval from the Council for any substantial expenditures.

**COUNCILMEMBER WILSON MOVED, SECONDED BY COUNCIL PRESIDENT PETERSON, TO APPROVE RESOLUTION NO. 1251, REGARDING COUNCIL REVIEW OF MEDICAL BENEFITS.**

Councilmember Plunkett recalled he originally encouraged Councilmember Wilson to research self-funded medical insurance. However, tonight's packet does not mention taking a vote. He noted that he received the resolution via email yesterday or the day before, and he received a 6-year pro forma tonight. He will abstain from the vote due to the extemporaneous way it was presented to the Council.

Councilmember Fraley-Monillas suggested gathering more data and discussing it again next week. She wanted some guarantees that it would not take a substantial amount of staff time. She suggested adding a spending limit to the resolution such as \$5,000 and that it would not take staff away from the current priority, negotiations. Councilmember Wilson explained the Public Safety & Human Resources Committee has been working on self-funded insurance at the direction of the Council at the retreat. If this is not a Council priority, he would appreciate the Council providing that direction. To Councilmember Plunkett's comment that he just received the resolution, Councilmember Wilson explained his day job prevented him from drafting it sooner.

**COUNCILMEMBER PETSO MOVED, SECONDED BY COUNCILMEMBER FRALEY-MONILLAS, TO POSTPONE THIS ITEM TO NEXT WEEK'S MEETING. MOTION CARRIED (5-1), COUNCILMEMBER PLUNKETT VOTING NO.**

Councilmember Plunkett explained he will not be at the May 24 Council meeting. Mayor Cooper pointed out both Councilmembers Plunkett and Bernheim will be absent next week. He suggested the discussion be postponed to a different date certain.

**COUNCILMEMBER PETSO WITHDREW THE MOTION WITH THE AGREEMENT OF THE SECOND.**

Council President Peterson explained he will attempt to schedule it the first week of June and if not, will not schedule discussion regarding self-funded insurance on the Public Safety & Human Resources Committee June 14 agenda.

Councilmember Wilson disclosed he has worked as a consultant to many healthcare organizations. He will not receive any financial benefit as a result of self-insurance. His wife works for a third party administrator but they do not work with public entities. He noted there are City employees in the audience who attended last night's Public Safety & Human Resources Committee meeting and previous meetings. He assured this is a good faith attempt and an open dialogue to address one of the primary concerns of the Council and the public, managing healthcare inflation costs. This effort is being done with the full participation of City employees who are trying to be responsive to the concerns as well.

Council President Peterson explained one of the reasons this item was scheduled on this agenda was because investigating ways to reduce insurance costs is an integral part of levy discussions. He assured the public that the Council was actively engaged in saving money, not just asking taxpayers for more money.

Mayor Cooper advised he will work with City Attorney Jeff Taraday on communication to AWC and perhaps request an opinion from the Office of the Insurance Commission about whether AWC can withhold claims information.

Mayor Cooper declared a brief recess.

## **9. DISCUSSION OF LEVY OPTIONS (PUBLIC COMMENT WILL BE RECEIVED)**

### Public Comment

**Joan Bloom, Edmonds**, referred to the statement that the City does not have an expense problem, it has a revenue problem. She has also heard that the City's operations are lean with no room for cuts in the budget, the justification the Mayor and some Councilmembers have used in promoting a levy. She pointed out the City has both a revenue and expense problem. She referred to March 31, 2011 *Seattle Times* article that stated Seattle eliminated about 300 positions, reduced hours at community centers, cut park maintenance, raised some fees and won wage concessions from unions in order to close a \$67 million shortfall in their \$895 million budget. An April 1, 2011 *Seattle Times* article stated ferry workers after forfeiting \$18.3 million in raises the past 2 years, will accept a 3% pay cut for the next 2 years as well as paid less for overtime and travel time. She cited these as examples of concessions being made by public employees in response to budget crises facing the state and nation. By comparison, all Edmonds employees received a COLA increase in 2009 of 5.8% and it was her understanding employees also received COLA increases in 2010 and 2011. As of 2007, the average salary of the 45 non-represented employees was \$87,500/year compared to the \$55,000/year average Edmonds household income. She estimated the average pay for those 45 employees was now over \$90,000/year. With regard to staffing levels, she relayed that the Development Services Department processed 188 land use applications in 2002, compared to 56 in 2009, less than 1/3 of those processed in 2002. The Development Services Department continues to be staffed at 2002 levels despite the dramatic decrease in land use applications. She urged the Council to immediately stop trying to determine how to manipulate citizens into voting for a levy and instead focus their attention on these issues. Until compensation and staffing levels are addressed, she will vote no on any levy.

**Al Rutledge, Edmonds**, commented funding for park improvements was not the answer; funds are needed to stabilize the City's finances. Next, he recommended a decision regarding a levy be unanimous or at least supported by 5 or 6 Councilmembers instead of a 4-3 vote. With regard to Lake Ballinger, he noted MLT has 3 homes on the lake and Edmonds has 52. MLT is conducting a study and meeting with residents on the lake. He recommended Lake Ballinger be funded via the Parks & Recreation budget.

**Roger Hertrich, Edmonds**, observed the Council is unable to reach agreement on a levy and suggested they focus on the budget and labor negotiations. He anticipated the Council would not bargain as

aggressively during labor negotiations if additional revenue was provided via a levy. He did not anticipate citizens would support a levy. He recalled at the last Council meeting, the levy proposal started with roads and then several other items were added. He recommended the Council discontinue discussions regarding a levy and direct the Mayor to tighten the budget and reduce staff.

City Clerk Sandy Chase distributed a draft ordinance. Council President Peterson explained the draft ordinance contains the levy elements the Council agreed to last week, a November ballot, \$700,000 for street overlays, \$800,000 for building maintenance and \$1 million to fund the deficit, a total of \$2.5 million.

**COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER WILSON, TO ADOPT ORDINANCE NO. 3842.**

Councilmember Fraley-Monillas advised she would not support the ordinance. She was disturbed that this levy proposal was run through when two Councilmembers were absent last week. She recalled comments the prior week that a vote would not be taken on the levy at the May 10 meeting. She had not had an opportunity to discuss or have input on the proposals in the ordinance.

Councilmember Wilson explained the ordinance was the result of discussions that have been occurring for the past 2½ years. He disagreed it had been run through; staff was directed to prepare an ordinance for Council discussion. He recognized Councilmember Fraley-Monillas may want to add or change the ordinance and it was appropriate to make those amendments now. He was hopeful that concerns with the process would not get in the way at this point. He encouraged Councilmember Fraley-Monillas to amend the ordinance if she wished.

Councilmember Petso expressed concern with the process as well as with the ordinance as written. She too had been unclear that a vote would be taken at the May 10 meeting. The ordinance does not match the action the Council took. The ordinance states, 1) the levy will be on the August 16, 2011 levy and the motion the Council approved last week was for a November election, and 2) instead of \$700,000 for overlays, the ordinance states street maintenance and overlays. She did not support the motion last week and she will not support it tonight. Mayor Cooper responded the ordinance should state a November levy as the Council requested. He agreed the Council was very specific about funding overlays; the wording in the ordinance was likely the result of the City Attorney's interpretation of the minutes. He concluded those corrections could be considered typos and would not require an amendment.

Councilmember Petso commented those were her concerns after reading page 1; she had not yet read the remainder of the ordinance.

In response to Councilmember Wilson's comment that this had been discussed for two years, Councilmember Fraley-Monillas recalled the Council was told on May 3 that discussion regarding the levy would continue on May 10 and that there would not be a vote. She found it irresponsible to bring forth this ordinance without input from two of the seven Councilmembers. She would not support the ordinance as she had not had an opportunity to review or understand it or provide input. It would be irresponsible for her to vote on the ordinance simply because the Council had discussed it last week.

Mayor Cooper encouraged the Council to focus on the merits of the amounts and issues in the levy. He reminded the items in the draft ordinance were the result of a series of 3-2 votes and not the same Councilmembers voting yes or no each time. The motion the Council ultimately adopted last week simply requested those three items be placed in a draft ordinance and brought forward for Council consideration. It was understood there were two Councilmembers missing at the May 10 meeting but there needed to be something to put forward to the Council that could be amended, accepted or rejected in order to keep the

process moving forward. He assured there was no attempt on his or the Council's part to short circuit the process; it was an attempt to keep the process moving.

Councilmember Fraley-Monillas commented it felt as if she had been backdoored. She was certain ethics were prevailing but it did not feel right. Mayor Cooper commented it was the Council's choice not to take any action on the ordinance tonight.

Council President Peterson explained the original motion made on May 3 was delayed to May 10 with the knowledge that the full Council would not be present at the May 10 meeting. Councilmember Petso's motion regarding \$700,000 for street overlays was reintroduced after reviewing the May 3 minutes. He was surprised that Councilmember Petso was unaware there would be a vote when it was her motion. He commented the intent of preparing the draft ordinance was to allow the Council to discuss and amend it, and either approve or reject it.

**COUNCIL PRESIDENT PETERSON CALLED FOR THE QUESTION.**

Councilmember Fraley-Monillas raised a point of order, stating a Councilmember could not speak on the motion and then call the question. Mayor Cooper ruled Council President Peterson's motion in order.

**UPON ROLL CALL, THE VOTE ON THE CALL FOR THE QUESTION FAILED (3-2-1), COUNCILMEMBERS WILSON AND PETSO AND COUNCIL PRESIDENT PETERSON VOTING YES; COUNCILMEMBERS PLUNKETT AND BUCKSHNIS VOTING NO; AND COUNCILMEMBER FRALEY-MONILLAS ABSTAINING.**

Councilmember Buckshnis explained she had a presentation to make and asked whether she needed to wait until the Council voted on the ordinance. Mayor Cooper suggested she could pose an amendment to the ordinance and support her amendments with her presentation. He noted Councilmember Buckshnis' proposal was likely to be ruled out of order because it calls for separate ballot measures. He suggested the Council vote on the ordinance and then Councilmember Buckshnis make her presentation.

**VOTE ON THE MOTION FAILED (2-4), COUNCILMEMBER WILSON AND COUNCIL PRESIDENT PETERSON VOTING YES.**

Council President Peterson observed Councilmember Buckshnis' proposal related to a November ballot. Given the hour and because there was not a pressing need to make a decision tonight, he suggested delaying her presentation until June 7 when the entire Council was present. Councilmember Buckshnis questioned why the draft ordinance was considered when it was for a November ballot. Council President Peterson responded he wanted to conclude that matter.

Councilmember Buckshnis offered to delay her presentation but make her comments. She explained her largest issue is Ordinance 3789 has been in effect for the past 14 months, an ordinance that has specific requirements related to financial clarity, timely financial statements, and citizen-friendly financial statements. She requested administration provide a timeframe and process for implementing the ordinance. She referred to a comment by Councilmember Wilson at yesterday's Public Safety & Human Resources Committee meeting that the City would be \$600,000 in the hole next year, advising that may not be the case because the forecast includes \$200,000 for the Development Services Director position that has not been filled and salaries include a 2% increase. She did not believe the situation was as doom and gloom as Councilmember Wilson portrayed it. She recommended the Council take its time and comply with the ordinance.

Councilmember Fraley-Monillas questioned what the \$1 million in the levy proposal would fund. Councilmember Wilson referred to the Executive Summary – Current Forecast, pointing out the 2012

outlook has a deficit of approximately \$600,000, \$1.2 million in 2013, \$1.1 million in 2014, and \$2.5 million in 2015. To get through the next four years providing the same level of service with a staff that already does more with less, the City needs approximately \$4 million. Although that amount has changed during discussions in the past 2 years, what has not changed is that the City cannot raise property taxes fast enough to keep pace with inflation in the cost of services. \$1 million/year for four years is just to maintain the basic, current services. He referred to the fifth whereas in the draft ordinance that states the City Council has determined to ask the voters if they are willing to fund \$1,000,000 in General Fund deficit reduction.

Mayor Cooper explained the proposal he presented to the Council allocated approximately \$1.2 million to General Fund deficit reduction. That is based on the projections Interim Finance Director Jim Tarte provided. That was the amount required to address the deficit before the additional \$100,000 for the ECA. The Council budgeted \$100,000 for ECA in 2011, the forecast allocates \$200,000 to ECA beginning in 2011. He pointed out the Development Services Director position is not fully funded in the 2011 budget because the Council used approximately five months of that salary to fund a portion of the Strategic Plan and requested the position not be advertised. He planned to delay advertising for that position until he knew the Council's decision regarding moving forward with a levy.

Councilmember Petso explained when she met with Mayor Cooper and Council President Peterson yesterday, it was suggested that the format of the levy discussions be changed to a work session rather than the current parliamentary procedure format. The advantages of a work session are it is still a public meeting but ideas can be exchanged more freely without motions being amended in a way that eliminates the logic of the original motion. For example, the original motion for a levy for street overlays did not matter whether it was on the August or November ballot because it did not impact the Mayor's preliminary budget. The motion was then amended to add items that impacted the budgeting process and may have been better to include in an August ballot measure. In a Saturday workshop format, possibly the Council could develop a proposal that could be returned to the Council for approval or rejection.

Council President Peterson distributed a resolution for a levy that would fund the General Fund obligation to Fire District 1, noting this idea was originally proposed by Councilmember Buckshnis. He explained the FD1 contract is the City's biggest single expense, approximately \$6.2 million/year. The EMS levy contributes \$3.25 million and transport fees contribute \$700,000, leaving \$2.2 million from the General Fund to pay for fire service. He supported the City having a secure funding source for public safety. The FD1 contract is an obligation the City agreed to and it cannot be reduced via staff or expense reductions because the fire service personnel are no longer City employees. He preferred to give citizens the option of providing secure funding source for the fire service contract and allowing the Council to debate funding for parks, the ECA, and other things that are not crucial to public safety. His proposal was a 4 year, \$2.2 million levy on the August ballot with a 2.5% annual increase. He recommended an August election so the outcome would be known when the Mayor prepares his budget. If a levy is on the November ballot, the Council's original budget discussions will be "all but make believe" because the Council will not know whether any revenue will be provided from a levy. If Edmonds moves to a Regional Fire Authority within the four year term of the levy, the levy would be rescinded.

**COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER WILSON, TO ADOPT RESOLUTION NO. 1251.**

If Council President Peterson's proposed levy passed in August, Councilmember Fraley-Monillas asked whether another levy would be proposed on the November ballot. Council President Peterson responded there could be another ballot measure in November. Some of the other items the Council has discussed such as street overlays are apolitical; everyone agrees with the need for street overlays. He explained funds from a levy for street overlays would not address the City's bottom-line. He supported placing a

levy to fund fire service on the August ballot and then considering whether to place a levy on the November ballot to fund other things such as street overlays and/or deferred maintenance.

**COUNCILMEMBER FRALEY-MONILLAS MOVED, SECONDED BY COUNCILMEMBER PLUNKETT, TO EXTEND THE MEETING FOR 45 MINUTES. MOTION CARRIED (5-1), COUNCILMEMBER WILSON VOTING NO.**

Councilmember Fraley-Monillas commented the draft ordinance the Council did not approve was \$2.5 million, \$700,000 for street maintenance, \$800,000 for building maintenance and \$1 million for the General Fund. This proposal is \$2.2 million. Council President Peterson responded he did not take the previous proposal into account when preparing the resolution. If there was only \$300,000 difference between the proposals, Councilmember Fraley-Monillas suggested a levy for \$500,000-\$1 million could be placed on the November ballot. Council President Peterson envisioned if a levy such as his resolution proposed was approved by the voters, it would address the bottom-line and then the Council could consider a levy to fund deferred maintenance. He noted fully funding street overlays requires \$1.5 million/year.

Councilmember Buckshnis referred to her memo regarding a smorgasbord of levy options that includes \$2.2 million for relief of the General Fund as suggested by the Citizen Levy Committee. She explained a levy to fund fire service would free up General Fund money and eliminate the deficit. It will not provide funding for street overlays, parks upgrades or Public Works maintenance; it strictly frees up \$2.2 million of General Fund revenue and funds the City's largest operating expense, fire service.

Councilmember Petso was stunned by this proposal. A \$2.2 million levy equates to a 16% property tax increase before the Council considered funding for roads, parks, or other needs. She preferred to prioritize via a workshop rather than agreeing to a \$2.2 million General Fund levy and then ask the voters for \$1.5 million, an 11% increase, for street overlays in November. She was certain the voters would not approve a 27% tax increase. She felt it was too aggressive and unrealistic to assume a \$2.2 million levy could be placed on the August ballot and then place another levy on the November ballot.

Councilmember Plunkett observed this levy proposal was a subsidy to the General Fund that was tied to fire and public safety to help it pass. He reiterated he will not support any levy proposal until labor negotiations are completed. Labor represents 54% of the entire future operating budget. There has been some good give and take during negotiations and he was reasonably optimistic regarding the outcome. Until the largest line item in the operating budget is resolved, he was unwilling to subsidize the operating budget.

Council President Peterson credited Councilmember Buckshnis with this idea. Whether a person believes the City has a revenue problem or a spending problem, the City has a bottom-line problem that he does not think can be resolved via cuts. His proposal alleviates the General Fund deficit, allowing the Council to discuss funding for other things. He recognized there was support for a smorgasbord approach to levy items; his proposal was a levy on the August ballot and other items can be placed on the November ballot. He preferred to allow the voters to decide how their tax dollars are spent. He summarized it will be difficult to have a realistic budget discussion if the outcome of a levy is unknown. He anticipated the result will be cuts that may then not be needed or there will be an effort not to make cuts because it is an election year.

Councilmember Fraley-Monillas felt it was risky to arbitrarily vote to place a \$2.2 million levy on the ballot without advance notification and more forethought. If such a levy failed in August, it would be an indication that a November levy would also fail. Although the idea of a levy to fund fire service has merit, she asked why it was proposed for the August versus November ballot. Council President Peterson reiterated a November ballot does not allow for realistic budget discussion because the outcome of the

levy is unknown and it is an election year for four Council seats and the Mayor. He anticipated any operating levy that did not get the full support of the Council would become a political football. He anticipated a roads levy in November would get significant support from the Council and would not become a political football.

Councilmember Fraley-Monillas supported allowing citizens to vote on individual levies. She was not comfortable with acting so quickly so that the outcome would be known before the 2012 budget process.

Councilmember Buckshnis explained the reason she pulled the concept of a levy to cover the costs of fire service was her desire to consider the total cost to citizens. She agreed with Councilmember Petso that a \$2.2 million fire service levy was too aggressive if there was a desire to fund street overlays, parks and other things via a levy.

**MOTION FAILED (2-5), COUNCIL PRESIDENT PETERSON AND COUNCILMEMBER WILSON VOTING YES.**

Mayor Cooper suggested Council President Peterson consider scheduling a work session to develop a levy proposal.

Councilmember Wilson commented two years ago, the majority of the members of the eight Citizen Levy Review Committee groups agreed a levy was needed. He pointed out the political courage of those citizens in a difficult economic climate to request the Council increase their taxes. The Council developed a couple of proposals at that time and when they failed to proceed, he requested the Councilmembers who voted against the proposals submit recommendations to address the issue. It takes political courage in this economic climate to make a tax proposal; Mayor Cooper has brought a proposal, he made a proposal, Council President Peterson brought one, and Council President Peterson and he worked on one. He commented some Councilmembers were taking positions of opposition out of principal and others were telling him one thing and voting differently. He questioned how the Council could ever achieve four votes when he could not trust them to tell him the truth; if they indicated they would support a proposal, he urged them to support it. He did not want to spend a Saturday in a room with Councilmembers he could not trust. He suggested Councilmembers Buckshnis, Petso and Fraley-Monillas meet and figure out what they can support and when.

Councilmember Petso did not recall saying she would vote for this proposal or the proposal presented at the beginning of the discussion. She was interested in reaching a common ground and thought three weeks ago she had identified common ground. She made a motion that was subsequently amended to the extent that she voted against it. She was happy to spend time to determine the Council's common ground and preferred a workshop format versus a Council meeting with parliamentary procedure.

Councilmember Fraley-Monillas spoke in support of teamwork as a process, commenting the process at Council meetings does not allow for an open discussion between Councilmembers to develop a levy proposal. She agreed with the suggestion for a work session that the public could attend that would allow Councilmembers to speak freely in a less formal setting. She suggested scheduling a workshop on the fifth Tuesday, May 31 rather than a Saturday.

Council President Peterson suggested a two week breather and schedule a short Council meeting followed by a work session regarding a levy at a meeting at the end of June. Councilmember Fraley-Monillas suggested the date selected for the work session be a date that all Councilmembers can attend.

Councilmember Buckshnis commented she would be willing to meet with Councilmembers Petso and Fraley-Monillas to develop levy scenarios. With regard to the 2009 Levy Committee recommendations, Councilmember Buckshnis pointed out the sale of the Fire Department bought the City some additional

time. Pointing out that haste makes waste, she wanted to be sure that the voters approved the levy the Council placed on the ballot. She was doubtful the voters would pass a levy until labor negotiations were complete and citizens were provided timely, accurate financials.

It was the consensus of the Council to schedule a work session.

City Clerk Sandy Chase confirmed August 16 is the deadline for the November ballot.

Councilmember Wilson suggested Councilmembers Fraley-Monillas, Petso and Buckshnis provide the Council a levy proposal. He reiterated his position: he wanted to fund existing services and staff; that was non-negotiable and he wanted to buy back the police officer that was cut and Crime Prevention. Because he felt November was a terrible time to place a levy on the ballot, he was likely not going to support a levy on the November ballot regardless of what it contains.

#### **10. REPORT ON CITY COUNCIL COMMITTEE MEETINGS OF MAY 10, 2010**

##### Community Services/Development Services Committee

Council President Peterson reported the following items were discussed and approved on tonight's Consent Agenda:

- Authorization to Advertise for Construction Bids for the Sewer Lift Station Rehabilitation Project
- Authorization to Advertise for Construction Bids for the 2011 Waterline Replacement Project
- Report on Final Construction Costs for Caspers Street/Ninth Avenue N/Puget Drive (SR524) Walkway Project
- Report on final construction costs for the Five Corners Booster Pump Station Improvements and
- Council acceptance of project
- Discussion on needed repair to the Treatment Plant's outfall pipe and the process for obtaining bids and awarding project
- Report on final construction costs for the Odor Control Improvement Project and Council acceptance of project
- Report on final construction costs for the 2009 Asphalt Overlay Project
- Ordinance amending the Edmonds City Code (ECC) 8.64.060 Parking Provisions in the Downtown Edmonds area

Council President Peterson commented many of the projects include grant money and he expressed his thanks to the Public Works Department for their efforts.

##### Public Safety & Human Resources Committee

Councilmember Buckshnis reported the Committee met on May 10 with the Police Chief and Human Resources to discuss the Snohomish Regional Drug and Gang Task Force Interlocal Agreement that was approved on the Consent Agenda. The Committee also discussed a compensation consultant. The Committee met on May 16 with members of staff and administration to discuss self-insurance.

##### Finance Committee

Councilmember Petso reported two finance staff attended the meeting. The Committee inquired about the April monthly report; it will be provided on next week's Consent Agenda. The Committee also discussed the first quarter report; major revenue sources are approximately as budgeted with the exception of plan check fees. Major expenses are approximately as budgeted with the exception of overtime and Mayor Cooper is following up on an insurance question. Councilmember Buckshnis, Interim Finance Director Jim Harte and she then discussed last year's reports and financial policies. Staff will follow up on last year's numbers as time permits and staff recognizes questions are constructive and result in corrections of

errors and discovery of items of importance. There is general agreement reports can be improved but financial policies are not useful until staffing is increased or rearranged in some manner.

**11. MAYOR'S COMMENTS**

Mayor Cooper reported the Dick's Drive In ground breaking is scheduled for Thursday, May 19 at 10:30 a.m. He commended staff for the hard work they have done to process Dick's permits and overcome challenges related to stormwater and traffic mitigation. Dick's plans to open the restaurant this fall.

**12. COUNCIL COMMENTS**

Councilmember Buckshnis thanked Interim Finance Director Jim Tarte for his participation in the discussion at the Finance Committee meeting. Mr. Tarte, Mr. Williams and she are working on assigning a person specifically to utilities who can be funded by the Utility Fund as well as freeing up a CPA to focus on finances. Mr. Williams is interested in having two finance people work on utilities, one for customer support and the other assisting with payments, funded via the Utility Fund. This may help free up Finance personnel to prepare reports.

Councilmember Fraley-Monillas hoped Councilmembers will think about the future and put their personalities and views aside and do what is best for the citizens in November. She thanked citizens for their calls and cards expressing condolences on the passing of her mother.

Councilmember Wilson assumed the attitude that Councilmember Fraley-Monillas suggested would apply to her earlier comments about being irresponsible or a question of ethics.

Council President Peterson commented the Council will likely need to consider budget cuts in the 2012 budget because the outcome of a November levy will be unknown when the budget is prepared. He urged Councilmembers who do not believe a levy will pass to think about cuts that can be made to the budget.

**13. ADJOURN**

With no further business, the Council meeting was adjourned at 10:34 p.m.